



OVO Response to Ofgem's priority services review - final proposals

18 February 2016

Please contact Policy@ovoenergy.com if you wish to discuss this response further

1. Introduction

USE OF OUTCOMES BASED APPROACH AND REGULATORY PRINCIPLES

- 1.1. OVO supports in principle the amendments to the PSR that Ofgem have proposed. We are also enthused that Ofgem have seen fit to remove some of the more prescriptive elements of the PSR and focused instead on delivering outcomes via broader principle based rules (PBR).
- 1.2. It is therefore important that, when Ofgem transposes the proposals outlined in this document into regulation, the principles and / or rules are made sufficiently clear so that suppliers can continue to focus on obtaining the correct outcomes for vulnerable customers (VCs). OVO would recommend Ofgem to continue using a broad principle based approach to the greatest extent possible to transpose these proposals into regulation.
- 1.3. More generally, we think that there are greater benefits to using an outcomes based approach as a means of protecting VCs. OVO will be responding to Ofgem's consultation on the future of retail regulation to outline these benefits further.

COST OF IDENTIFYING VULNERABLE CUSTOMERS

- 1.4. Identifying VCs is not straightforward and requires significant resources on the part of suppliers. The information that suppliers have access to is very limited in many cases, which makes it challenging to:
 - a) identify whether or not a customer is vulnerable, and
 - b) If so, to assess accurately the nature of the customer's vulnerability.

The difficulty that suppliers face with regard to identifying vulnerability is further compounded by the transient nature of certain vulnerability categories, one example being households with young children. Without accurate data being frequently updated, the operational burden would be considerable and

therefore costly. We are concerned that customers would ultimately bear these additional costs.

- 1.5. Reducing the cost and administrative burden with regard to identifying and maintaining the PSR would allow suppliers to focus more on the provision of services for their VCs. In this context the problem with the PSR that needs to be addressed is the quality of the information relating to VCs and the means by which that information is shared and updated between suppliers.
- 1.6. OVO would therefore strongly urge Ofgem to carry out more work to determine how best to administer vulnerability records and the PSR process as cost effectively and operationally efficiently as possible. Our proposal is that the central registration scheme that is in the process of being procured by the DCC should be used as the location to store all of the data relevant to the PSR. We outline what we believe are the benefits of this proposal further in paragraph 2.6 of this response.

2. Answers to specific consultation questions

Question 1. Do you agree with our final proposals for enhancing eligibility and customer identification and the associated proposed licence conditions?

- 2.1. We support Ofgem's proposals and approach to amending the eligibility criteria of the priority services register (PSR). We think that allowing suppliers to identify additional groups of VCs on the basis of need strikes the correct balance between ensuring that core vulnerable groups remain suitably protected, yet keeping the eligibility criteria of the PSR sufficiently flexible to allow suppliers to direct resources to where they are needed most.

Question 2. Do you agree with our final proposals for amending the PSR services and the associated proposed licence conditions?

- 2.2. OVO is in favour of Ofgem’s proposal to allow suppliers to offer wider service to customers where need is identified and where reasonably practical. We think it is important that a level of flexibility is retained in order to allow suppliers to tailor the most appropriate service to the individual customer’s need. We are also highly enthused by Ofgem’s use of an outcomes based approach to deliver these amendments.
- 2.3. As Ofgem will be aware, one of the CMA’s proposed remedies is that suppliers prioritise the rollout of smart meters to prepayment customers. We support this remedy and would also consider that there is scope to extend this proposal to VCs.
- 2.4. While Ofgem has not expressly mentioned installing smart meters in VCs homes as part of their amendments to the PSR, OVO is willing to assume that installing a smart meter would come under providing wider services to customers where need is identified and where reasonably practicable.

Question 3. Do you agree with our final proposals for recording and sharing information about customers in vulnerable situations and the associated proposed licence conditions?

- 2.5. OVO supports Ofgem’s proposals to improve data sharing amongst suppliers and DNOs. As we set out in our introduction, suppliers are not always best placed to identify whether a customer is vulnerable or not. It is therefore important that a centralised system is in place that provides suppliers with reliable information that is updated regularly.
- 2.6. We think that the centralised registration system (CRS) that is currently in the process of being procured by the DCC would be the most appropriate host of the PSR data in the long term. The added benefit of using the CRS for this purpose is that the record of a customer’s vulnerability is transferred during the change of supply process.

- 2.7. The use of an integrated and centralised system should mean that VCs would not face the risk of a drop off in priority services provision during the switching period. A centralised system integrated with the switching process, would also remove the hassle cost associated with switching for VCs, i.e. conversations with suppliers on their specific needs. We think it is likely that the collective effect of removing the risk of a drop off in service levels combined with reducing perceived hassle costs for VCs should encourage VCs to engage in the market by switching more often.
- 2.8. Storing this information on a single system, in this case the CRS, also has the benefit of reducing the complexity of suppliers having to match data between two systems.

Question 4. Do you agree with our final proposals for raising awareness of the priority services, including any specific suggestions for energy companies to improve awareness?

- 2.9. OVO agrees with Ofgem's proposals to promote greater awareness of the availability of priority services for vulnerable customers. We are optimistic that affording companies an extra level of flexibility to develop more innovative ways to increase customer awareness will ultimately increase the number of vulnerable customers enrolled on the PSR.

Question 5. Do you agree with our final proposals for the approach to monitoring energy company performance in this area?

- 2.10. OVO agrees with Ofgem's proposals with regard to improving compliance and performance monitoring, provided that Ofgem's proposal to undertake a wider set of monitoring to assess supplier performance does not require a significant increase in the number of information requests or obligatory reporting.
- 2.11. A combination of Ofgem's increased reliance on operational reports and the ongoing CMA market investigation have vastly increased the number of information and reporting requests that suppliers must fulfil. Completing these

various requests for information puts a sizeable strain on supplier's resources. While we accept that the CMA investigation is drawing to a conclusion, there are large operational projects due to be delivered in the next 2-3 years that will further strain suppliers' limited resources.

- 2.12. For this reason we would ask Ofgem to clearly specify the type and format of any additional information they require from suppliers as far in advance as possible.